

2002 HIGHLIGHTS

Overview

The lingering effects of 9/11, heightened geopolitical tensions, and uncertain economic conditions presented a challenging set of circumstances for the travel industry in 2002. Helping to mitigate the negative effects of uncertainty in the marketplace was a successful Olympic Winter Games, which provided much needed growth during the first quarter and improved the state's visibility around the world. The domestic leisure travel and international travel segments held steady, while business travel suffered a decline. Fortunately, the recent addition of Olympic facilities, resort expansions, hotels, and infrastructure improvements have increased the state's tourism capacity and improved its competitive positioning.

Utah Bucks the National Trend

Despite many challenges, Utah's travel and tourism sector performed admirably in 2002. Following two years of declines, non-resident tourism arrivals to Utah equaled 2001 numbers at 17.3 million. Both domestic and international visitation remained virtually the same as the previous year, thanks to the Olympics. Visitation reports indicated increases in vehicle traffic along Utah's interstates and more visitors at national parks and state operated welcome centers. Hotel occupancies increased to 62% in 2002, marking the first increase in eight years. Despite falling prices nationally, statewide room rates held steady or increased, indicating strong demand and improved performance in the state's lodging sector. Buoyed by huge increases during the Olympics and steady performance through the remainder of the year, hotel room rents posted a strong 15% gain during 2002. The downturn in air travel barely continued during 2002, with 0.5% fewer passengers at the Salt Lake International Airport compared to 2001. Drought-induced difficulties at many state parks prompted a 5% decline in state park visitation during the year. As expected, ski resorts reported a 9% decline in skier days as the Olympics kept many skiers away.¹

Impact of September 11th

In 2001, consumers began retrenching given increasing economic uncertainty related to employment, income growth, and the stock market. Reactions to the terrorist events of September 11th prompted further changes in travel behavior. Continued uncertainty with the economy and with the war on terrorism (including Iraq) has entrenched those changes in 2002. The most salient changes in travel behavior include:

- Shorter trips closer to home
- Less air travel and more drive traffic
- Reduced spending
- More interest in making connections – with family, nature, heritage, and culture
- More interest in outdoor recreation activities and travel to rural America
- Shorter planning and booking horizons



Utah was well positioned to benefit from many of the changing travel patterns among domestic leisure visitors. Utah's gains among domestic leisure travelers, combined with the effects of the Olympics and a strong convention year, helped offset declines in business travel. Total traveler spending declined slightly in 2002, at \$4.142 billion compared to \$4.259 billion in 2001. Total state and local taxes generated by travel spending totaled \$329 million in 2002, or \$470 per Utah household. Despite a weak economy, gains in the hotel and restaurant sectors and increases from regional and discount airlines prompted travel-related employment to decrease only 0.2% in 2002. Travel-related employment totaled 101,164 in 2002, accounting for 9% of total Utah non-farm jobs.

Impact of the 2002 Olympic Winter Games

According to a recent IOC report, "The 2002 Olympic Winter Games are remembered today as a peaceful and safe gathering amidst turbulent times."² Salt Lake hosted nearly 2,400 athletes from 77 countries through 16 days of competition. More than 220,000 visitors came from around the world to participate in the Olympic experience.

¹ Visitation reports collected from Salt Lake City Department of Airports, National Park Service, Utah Division of Travel Development, Utah Division of State Parks, Utah Department of Transportation, Ski Utah and the Rocky Mountain Lodging Report.

² *Salt Lake 2002 Marketing Report*, IOC, November 2002

Another 2.1 billion viewers from 160 countries consumed over 13 billion viewer hours. When news and other media coverage are considered, approximately 3 billion people were exposed to Utah, Salt Lake City, and the Olympic movement.

The Olympic Winter Games provided a much-needed stimulus to Utah's tourism industry during the first quarter of 2002. Utah's tourism sector, like the rest of the country, declined during the last half of 2001, contracting significantly in the last four months of the year. During the third and fourth quarters, taxable sales in Utah's key tourism sectors declined 0.3% and 3.3%, respectively. However, during the first quarter of 2002, Utah tourism bucked the national trend by posting an Olympic-induced 5.4% gain. The significant increase helped Utah's tourism community to prevent a larger decline in traveler spending and helped the state to nearly maintain the same number of tourism-related jobs. Hotel and restaurant spending led the way, offsetting declines in transportation and auto rentals.³ Statewide hotel occupancies, which had declined for six consecutive months prior to the Games, began increasing in the lead up to the Games and jumped nearly 19% in February. Overall, statewide occupancies for 2002 surpassed 2001 levels by 2.2%.

The Olympic effect was not limited to the hotel sector. During the first few months of the year, visitation to national and state parks, stateline vehicle traffic, and visitors to state operated welcome centers all increased. Partially offsetting these gains were anticipated declines in airport passengers and skier days.

TOURISM INDICATORS – 1st Quarter 2002	
ECONOMIC INDICATORS	% CHANGE
Transportation	-25%
Eating & Drinking	+6%
Auto Rentals	-15%
Hotels & Lodging	+31%
Amusement & Recreation	+1%
TOTAL TOURISM SECTOR	+5%
VOLUME INDICATORS	% CHANGE
Airport Passengers	-6%
National Park Visitors	+30%
National Mon. & Rec. Area Visitors	-6%
State Park Visitors	+42%
Welcome Center Visitors	+11%
Stateline Interstate Traffic	+8%
Statewide Hotel Occupancy Rate	+4%
Utah Skier Days	-9%
Utah.com Website Visits	+108%



SOURCE: Utah Division of Travel Development, compiled from reporting agencies

Despite the significant gains for the state's tourism industry during the Olympic period, research indicates part of the Olympic legacy may be in increased tourism opportunities in the future. A survey among U.S. residents shortly after the conclusion of the Games identified changes in Utah's domestic image:⁴

- 1) Utah's image improved slightly as a result of the 2002 Olympic Winter Games;
- 2) 7.1 million more adults say they are likely to vacation in Utah than before the Games;
- 3) Utah is more recognized today for its scenic beauty, mountains, winter sports, ski resorts, cleanliness, and friendly people after exposure through the Games; and
- 4) Utah's high quality workforce is more recognized by executives around the country following the Games

Because of the depth of Games-time exposure, similar image and awareness improvements are expected in key markets in Western Europe, North America, and Asia. Despite the increased visibility of Utah among consumers, three major factors influence the effect of the Olympics on future travelers: 1) increased geopolitical tensions; 2) continued economic uncertainty; and 3) ongoing memory decay (Utah's Olympic memory is expected to last only until the torch is lit for the 2004 Games).

Utah has already enjoyed tremendous gains from the Games. In addition to the immediate economic impact of planning and hosting the Games, Utah citizens will benefit from the legacy of sport facilities, transportation

³ Utah State Tax Commission, tourism sectors include: Transportation, Eating & Drinking, Auto Rentals, Hotels & Lodging, Amusement & Recreation

⁴ *Measuring the Impact of the Olympic Winter Games on Utah's Image*, Wirthlin Worldwide, Spring 2002

infrastructure, additional hotel capacity, and resort improvements. Added benefits often overlooked are the intangible elements of civic pride, cultural development, and the impact of community outreach programs. In all, hundreds of thousands of Utah residents joined millions worldwide in experiencing the emotion and excitement of the Olympic Winter Games. Through increased tourism and business opportunities, the Olympics will continue to positively impact Utah's economy.⁵

2002 Tax Barometer

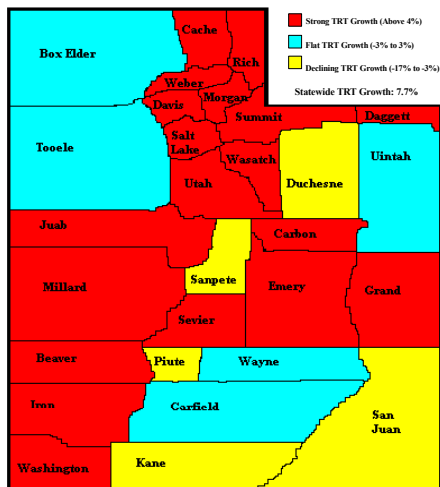
Gross Taxable Sales. Gross taxable sales from five tourism-dependent industries (transportation, eating and drinking places, auto rentals, hotels and lodging, and amusement and recreation) are measured as an indicator of the relative performance of Utah's tourism industry. During 2002, the collective sales of those five industries remained the same as total tourism related gross taxable sales in 2001. The 2002 tourism industry growth rate was considerably less than the 6% to 7% growth rates recorded in each of the last several years before 2001. In addition, for the second time in eight years, tourism failed to outpace the statewide growth rate (0.4%). Three of the five major tourism industry sectors recorded positive growth in 2001, led by hotels and lodging places (12.5%), eating and drinking establishments (3.5%), and amusement and recreation services (0.6%). Auto rentals declined (14.7%) while transportation suffered a dramatic decrease (33.1%).

Total County-Based Tourism Taxes. Tourism-related tax revenues include monies collected from the county-option tourism taxes including the transient room tax, prepared foods tax (restaurant tax), and the short-term vehicle lease tax (car rental tax). In 2002, total tourism-related tax revenues in Utah totaled \$56.0 million, 7.3% above 2001 total revenues. The restaurant tax, which is levied by 25 counties, accounted for 42% of total revenues at \$23.6 million. The transient room tax, which is collected by all 29 counties, accounted for \$20.0 million, or 36% of the total. The car rental tax, collected in only seven counties (combined with \$3.4 million collected by the State), accounted for 22% of the total with \$12.4 million in revenues.

County-Based Tourism Tax Revenues				
More than \$5 million	\$1 to \$5 million	\$300,000 to \$1 million	\$100,000 to \$300,000	Less than \$100,000
Salt Lake	Summit Utah Davis Washington Weber Grand	Cache Iron Garfield Wasatch Box Elder Tooele Uintah Sevier Kane Carbon	San Juan Beaver Juab Rich Sanpete Wayne	Duchesne Millard Daggett Morgan Emery Piute

There are major differences in the revenues collected by the various counties. Nearly 70% of the tourism-related tax revenues are based in the four Wasatch Front counties (Salt Lake, Utah, Davis, and Weber). Salt Lake County, with \$29.8 million in revenues, accounted for 53% of the statewide total. Summit County collected \$4.5 million in revenues (8%), followed by Utah County with \$3.9 million (7%), and Davis, Washington, and Weber, with over \$2 million each.

TRANSIENT ROOM TAX GROWTH
% Change 2001 to 2002



SOURCE: Utah State Tax Commission

During 2002, the majority of counties in Utah (23) increased their total tourism-related tax revenues. Beaver (50%), Piute (38%), Emery (20.1%), Washington (19.4%), Davis (18.4%) and Juab (17.2%) led the way. With the exception of Box Elder, Rich, and Uintah Counties, which experienced declines, every county in northern Utah reported revenue gains compared to 2001. Some counties in southern Utah experienced improving revenues (Beaver, Piute, Washington, Iron, and Wayne) while others experienced a decline (San Juan and Kane) from tourism related taxes. The center of the state also experienced growth with Sanpete being the one central county whose tourism-related tax revenues declined.

Transient Room Tax. Statewide, the number of available rooms is estimated to be 46,900.⁶ Demand for rooms has not kept pace with inventory growth, placing downward pressure on both occupancies and room rates. Occupancies in the Salt Lake area have declined from 80% in the mid-90s to an estimated 62% in

⁵ For more information on the economic impacts of planning and hosting the Games, consult *2002 Olympic Winter Games: Economic, Demographic & Fiscal Impacts*, GOPB, November 2001

⁶ Utah Hotel & Lodging Association

2002. Total Utah occupancy rates increased by 2.2% in 2002, from 59.9% to 62.1%.⁷ It should be noted that in February (during the Olympics), the statewide occupancy rate shot up to 83.7%.

The Olympics had a significant effect on Utah's lodging industry, as gross taxable room rents increased by 15% in 2002, totaling \$667 million. Additionally, the average room rate increased from \$73.43 in 2001 to \$85.24 in 2002. The lodging industry suffered declines in most other states throughout the nation, and the Olympics definitely helped Utah buck the national trend. Transient room tax collections also increased nearly 8% statewide, totaling \$20.0 million in revenues.

Among counties, Salt Lake led the way with nearly \$9.0 million in TRT collections, recording a 5.5% increase over the previous year. Nearly 80% of statewide TRT collections originate from five counties: Salt Lake, Summit, Washington, Utah and Grand Counties. Twenty-two counties reported increased TRT revenues between 2001 and 2002, led by Morgan (239%), Davis (52%), Rich (32%), and Juab (30%). Seven counties recorded declines, with the largest drops in Piute (-13%), Kane (-7%), Sanpete (-7%), and Duchesne (-6%).

Restaurant Tax. Twenty-five counties in Utah impose a 1% restaurant tax with revenues dedicated to tourism promotion and infrastructure development. Beaver County began collecting the tax in 2001. Only Emery, Millard, Piute and San Juan Counties do not collect the tax. Restaurant tax collections increased a modest 7.8% in 2002, also benefiting from an Olympic boost. Historically, restaurant tax revenues have risen at nearly 6% per year. Just over half of the total restaurant tax revenues were collected in Salt Lake County. Utah, Davis, Weber, Summit, and Washington Counties also saw collections of greater than \$1 million. The large majority of Utah counties experienced an increase in restaurant tax revenues. Overall, 18 of the 25 counties that impose the tax posted gains over 2002. Four counties posted double-digit gains, Beaver (191%), Washington (12%), Salt Lake (11%) and Summit (11%) Counties. Seven counties recorded declines, led by Rich (-29%), Morgan (-13%), and Sanpete (-6%).

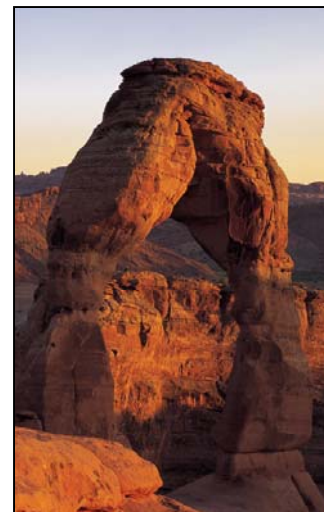
Car Rental Tax. Seven counties impose a county-based car rental tax in addition to the statewide car rental tax. The statewide tax is levied at 2.5% and the county-based tax fluctuates between 3% and 7% depending on the county. During 2002, revenues from the car rental tax increased in five of the counties that impose the tax. Revenues increased significantly in Washington (289%), Davis (274%) and Grand (116%) Counties. Statewide, total revenues declined 3.4% to \$12.4 million. The state-imposed car rental tax accounts for 27% of the total (\$3.4 million) and fell 7.5% in 2002. Salt Lake County accounted for over 70% of total car rental tax collections during 2002. Year-over-year comparisons are difficult for this tax because of frequent changes to the reports due to prior period adjustments.

Visitation Statistics

National Parks. Visiting Utah's national parks continues to be the state's top tourist attraction. For the last decade, Utah's national parks have attracted around five million visitors. The popularity of Utah's national parks increased rapidly during the mid-80s and early 90s, growing by nearly 10% per year to 5.3 million visitors by 1992. Since 1992, the number of visitors to Utah's national parks has hovered close to five million, although visitation peaked in 1996 at 5.7 million. Since 1996, national park visitation has declined in four of the past six years.

In 2002, 5.1 million visitors arrived to national parks in Utah, a 4.1% increase from 2001. The state's best performance was Zion, where visitation increased 16.4%, followed by Arches (2.1%) and Canyonlands (1.9%). Zion, Utah's most popular national park, had over 2.5 million visitors in 2002. Bryce Canyon suffered a decrease of 17.0% less visitors, while Capitol Reef's visitation only declined by 0.8%.

Visitation levels to Utah's national parks reflected an overall visitation pattern to national parks throughout the west with some enjoying increases and others suffering declines. Among the most popular parks in the region, visitation declined at Death Valley (-11%) and Yellowstone (-31%). Visitation increased or stayed the same as the previous year at Grand Canyon (2%), Grand Teton (29%), Olympic (4%), Rocky Mountain (13%), Mount Rainier (41%), Glacier (146%), and Yosemite (7%).

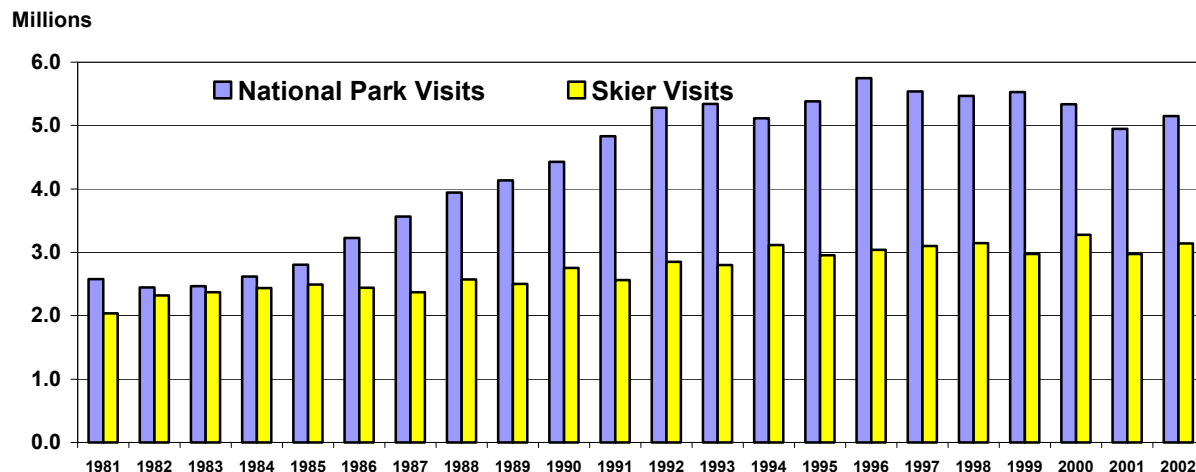


⁷ Rocky Mountain Lodging Report, Ehrhardt Keefe Steiner & Hottman, PC, December 2002

Skiing. Utah's ski industry braced itself for a difficult 2001/02 season. The terrorist attacks, the economy, and the Olympics were all expected to negatively affect skier visits to the state. That season, Utah's ski resorts reported a better-than-expected decline of only 9%, totaling 3.0 million skier days. In 2002/03, despite a weak economy, the number of skier days increased 5.3% to 3.1 million.

After seeing the Olympics, a large number of destination skiers came from outside the state and helped boost Utah's numbers. Many local skiers stayed home while waiting for the usual large January snowstorms that never came. It's interesting to note that the three Park City resorts recorded the largest gains, and each benefited from a lot of Olympic publicity.

National Park and Skier Visits



National Monuments & Recreation Areas. Utah's national monuments and recreation areas remain popular destinations for travelers. However, visitation decreased in 2002 to approximately 5.0 million, down 8% from the year before. All but two of Utah's national monuments and recreation areas reported declines during 2002, ranging from a 2% drop at Grand Staircase-Escalante NM to a 17% decline at Hovenweep NM. Natural Bridges NM recorded an increase of 13% and visitation to Golden Spike NHS increased 6%, but those gains weren't enough to offset the declines elsewhere.

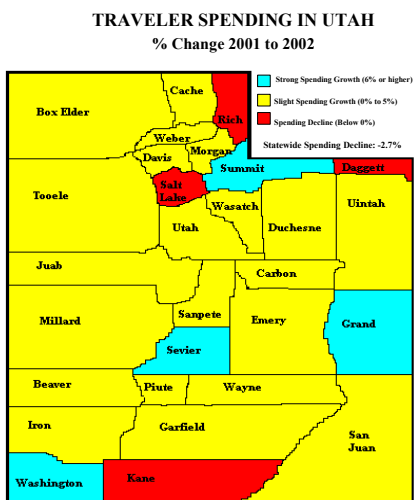
Utah State Parks. Overall, 5.8 million visitors traveled to Utah's 44 state parks, a 5% decline over 2001. Visitation reports were widely varied according to specific park destinations. Among the ten most popular state parks (which account for two-thirds of total state park visitation), visitation increased strongly at Wasatch Mountain (32%). Wasatch Mountain is located near several Olympic Venues and enjoyed a huge boost in visitation during the month of February (the same month as the Olympics). Among the state's other most popular parks, visitation declined dramatically at Utah Lake (43%) and Deer Creek (35%). The drought caused difficulties at a number of state parks and contributed to the decline in visitation at many locations. Overall, visitation increased in 13 parks and declined in 31 parks.

Salt Lake International Airport. Although total passengers to the Salt Lake International Airport have decreased in each of the last six years, the decrease is largely attributable to declines in the number of connecting flights made through Salt Lake International Airport. Total passenger traffic at the airport barely declined by 0.5% in 2002, totaling 18.7 million passengers. However, the number of destination visitors (representing approximately 54% of 2002's total passengers – as measured by local enplanes and deplanes) decreased by 5% to 10.1 million passengers. The terrorist attacks of September 11th affected air transportation more than any other industry. Increased security measures have made air travel more difficult. Combine the fear of terrorism with the perception that air travel is more difficult, add a struggling economy, and one can see why some airlines are facing financial crises. Nevertheless, overall passenger counts at Salt Lake International Airport were nearly on par with 2001 levels.

Utah Stateline Interstate Vehicle Traffic. Traffic counts along Utah's Interstate borders increased by 5% over 2001, totaling 22.8 million. Traffic at all of the Interstate borders increased compared to 2001. Traffic increased most along I-15 at the Utah-Arizona border, which posted an 8% increase in traffic compared to 2001. The Utah-

Colorado I-70 border also reported a 5% increase in traffic. Traffic along the Utah-Idaho border increased 3% at both the I-84 and I-15 borders respectively. Traffic also increased along I-80, with a 2% increase along the Utah-Nevada border and a 3% increase along at the Utah-Wyoming border.

Utah Welcome Centers. Utah's six welcome centers, located along major transportation corridors throughout the state, reported increasing visitation for the second time in seven years. Total Welcome Center visitation totaled 676,781 in 2002, a 3% increase over 2001. Visitation figures were fairly flat at the Echo (0%) and Brigham City (1%) Welcome Centers. The largest increases were at St. George (9%) and Thompson Springs (8%). The Jensen and Council Hall Welcome Centers both reported declines (23% and 4% respectively).



SOURCE: Utah Dept. of Workforce Services, adapted by Utah Division of Travel Development

Economic Impact

Traveler Spending. In 2002, travelers to Utah spent \$4.142 billion, down -2.8% over 2001's \$4.259 billion. Traveler spending accounted for almost 6% of Utah's gross state product. Traveler spending was down throughout the nation due to fears of terrorism, heightened geopolitical tensions, and a struggling economy.

Continuing the pattern of the last six years, traveler spending was highest primarily in northern Utah, although Washington, Iron and Grand Counties also experienced a significant amount of traveler spending. Traveler spending increased in 25 of Utah's 29 counties. The four counties that suffered declines in traveler spending: Rich (-12.9%), Salt Lake (-11.5%), Kane (-6.9%) and Daggett (-2.5%).

Employment. During 2002, travel and tourism-related employment totaled 101,164 jobs scattered throughout the state.

This represented only a 0.2% decrease compared to 2001's employment levels. Additionally, tourism-related job growth continues to outperform statewide job growth (-0.2% compared to -0.7%).

Twenty of Utah's 29 counties experienced tourism-related job growth from 2001 to 2002. Millard (9%), Daggett (8%), Rich (5%) and Washington (5%) all posted strong gains in tourism-related employment. The 2002 tourism job growth rate fell below the state's five-year average annual tourism job growth rate of 3.7%. Over the past several years, most of the state's tourism-related job growth has occurred around the Wasatch Front and in adjoining counties such as Cache, Tooele, Summit, Morgan, and Wasatch. However, pockets of strong job growth have also occurred in Washington, Rich, and Uintah Counties.

Tourism-related jobs account for over 9% of total nonfarm jobs in Utah (one in every 11 jobs). If tourism is treated as a separate industry, it is the sixth-largest employment sector in the state, behind Trade, Transportation, Utilities; Government; Manufacturing; Professional & Business Services; and Education & Health Services. Tourism lost only 245 new jobs, while the state as a whole lost nearly 8,000 jobs in 2002.

Although two-thirds of travel and tourism-related jobs are located along the four-county Wasatch Front area, many counties in rural areas of the state are more dependent on tourism. Fewer employment opportunities within rural counties means that tourism jobs are crucial to providing needed employment, tax receipts, personal income, and business profits. Counties in the northeast and southeast areas of the state are particularly dependent on tourism. Tourism accounts for more than a fifth (20%) of total nonfarm employment in 11 counties, led by Daggett (70%), Garfield (49%), Grand (48%), Summit (45%), and Kane (40%).

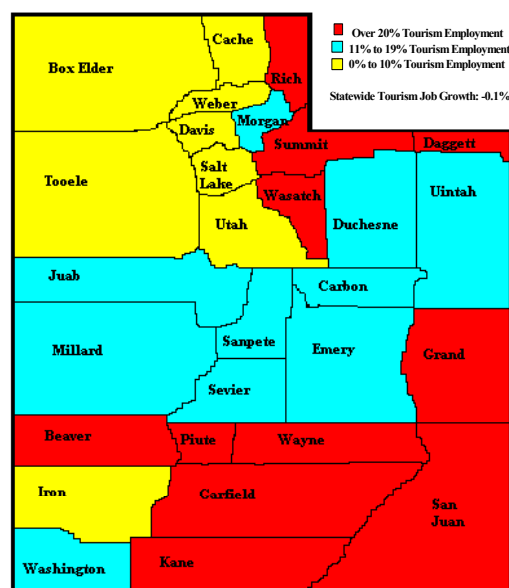
EMPLOYMENT BY SECTOR IN UTAH

EMPLOYMENT SECTOR	2002	% OF TOTAL
TOTAL NONFARM JOBS	1,073,746	100.0%
Trade, Transportation, Utilities	216,032	20.1%
Government	195,246	18.2%
Profess. & Business Services	131,912	12.3%
Manufacturing	113,873	10.6%
Education & Health Services	113,696	10.6%
Travel & Tourism*	101,164	9.4%
Leisure & Hospitality	100,943	9.4%
Construction	67,838	6.3%
Financial Activity	63,352	5.9%
Other Services	32,970	3.1%
Information	31,004	2.9%
Mining	6,880	0.6%

Source: Department of Community and Economic Development

*Travel & Tourism represents employment from several sectors and is not included in the overall total.

TOURISM JOBS AS PERCENTAGE OF TOTAL NONFARM JOBS, 2002



SOURCE: Utah Dept. of Workforce Services, adapted by Utah Division of Travel Development

Land Ownership. As with many western states, land in Utah is primarily public land owned by either the state or federal government. Many of those lands have been designated according to various degrees of use and development. The federal government owns approximately 64% of all land in Utah, roughly 34.6 million acres. Most federal land is administered by one of the several land management agencies, including the Bureau of Land Management, the U.S. Forest Service and the National Park Service. The state of Utah owns 5.5 million acres (10% of land in Utah), most of it designated as State Trust Lands. American Indian reservations comprise nearly 2.4 million acres (4.4% of the total land area). Finally, private lands account for 22% of the total or nearly 11.7 million acres.

Seasonality. Sightseeing, nature-based activities, and outdoor sports are the top visitor attractions for Utah, according to a visitor profile study conducted for 2001.⁸ The visitor profile study is conducted every three years, and there is no reason to assume that the top activities for Utah travelers have changed in 2002. Given the popularity of these types of activities, most visitors travel to Utah during the summer months and September. However, at many of the state's top destinations, the peak visitor season is extending beyond just the summer into the shoulder seasons in the spring and fall. The winter visitor is very focused on skiing and holiday-based travel. Visitation patterns during 2002 closely mirrored the trend for the past several years. However, the Olympics caused an increase in hotel occupancy and state park visitation in February.

Land Ownership - 1999	No. of Acres	% Total
Total Acres in State	54,132,902	100.0%
Federal Government	34,599,495	63.9%
BLM	22,671,492	41.9%
US Forest Service	7,210,617	13.3%
National Recreation Areas	1,125,497	2.1%
National Parks	900,788	1.7%
National Wildlife Refuge	62,032	0.1%
USFS & BLM Wilderness Area	764,951	1.4%
Other*	1,864,120	3.4%
State Government	5,466,066	10.1%
Utah State Parks & Recreation	73,371	0.1%
Utah State Wildlife Reserves	388,003	0.7%
State Sovereign Lands	1,500,000	2.8%
State Trust Lands	3,504,691	6.5%
American Indian	2,388,724	4.4%
Private**	11,678,616	21.6%

*Includes Military and Bankhead Jones land

**May include some local government land

Source: GIS Database 1999

⁸ 2001 Domestic Visitor Profile, D.K. Shifflet & Associates, Ltd., September 2002

